

Internal Revenue Service

District  
Director

Department of the Treasury

P.O. Box 1680, GPO Brooklyn, N.Y. 11202

Date: JAN 15 1986

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Gentlemen:

We have considered your application for tax exempt status under section 501(c)(12) of the Internal Revenue Code.

The evidence reveals that you were incorporated in the State of [REDACTED] on [REDACTED].

The purpose for which the corporation is formed is as follows;

To exercise, promote and protect without profit to the corporation, the privileges and interests of the residents of [REDACTED]; to foster a healthy interest in civic affairs of the community, to develop good citizenship; and to inquire into civic abuses and to seek reformation.

Your activities consist of collecting membership dues which will be used to hire professional security service to patrol the community.

Your major source of income is derived from membership dues and assessments. Your disbursements are for security protection fees and general administrative expenses.

Section 501(c)(12) of the Code provides generally for the exemption from Federal income tax of benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies or like organizations.

The term "like" organization, as used in section 501(c)(12) of the Code, is limited by the type of organization specified in that section. It is applicable only to those mutual or cooperative organizations that are engaged in activities similar in nature to the benevolent life insurance or public utility type of service or business customarily conducted by the specified organizations.

Revenue Ruling 55-511, 1955-1 C.B. 72 provides that an organization which provides bus services for its members did not qualify for exemption under section 501(c)(12) as a "like" organization.

Like the organization described in Revenue Ruling 55-511, you do not qualify under section 501(c)(12) as a like organization.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare or local associations of employees, the memberships of which is limited to the employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational or recreational purposes.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations states in part that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting some way the common good and general welfare of the people of the community.

Section 1.501(c)(4)-1(a)(2)(ii) of the Income Tax Regulations states in part that an organization formed for the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

Revenue Ruling 77-275, 1977-2 C.B. 195 states that a non-profit organization that provides security services for residents and property owners of a particular community who agree to voluntarily donate money at a specified hourly rate to defray the cost of the services is carrying on a business with the general public in a manner similar to organizations operated for profit and does not qualify for exemption under section 501(c)(4) of the Code.

Based upon the evidence presented, the activity of providing private security services to your members on a regular basis in return for compensation, you are carrying on a business with the general public in a manner similar to organizations operated for profit.

On the basis of the above information we conclude that you do not qualify for exemption under section 501(c)(12), section 501(c)(4) or any other section described in the Internal Revenue Code 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

/s/ [REDACTED]

District Director

Enclosure: Pub. 892